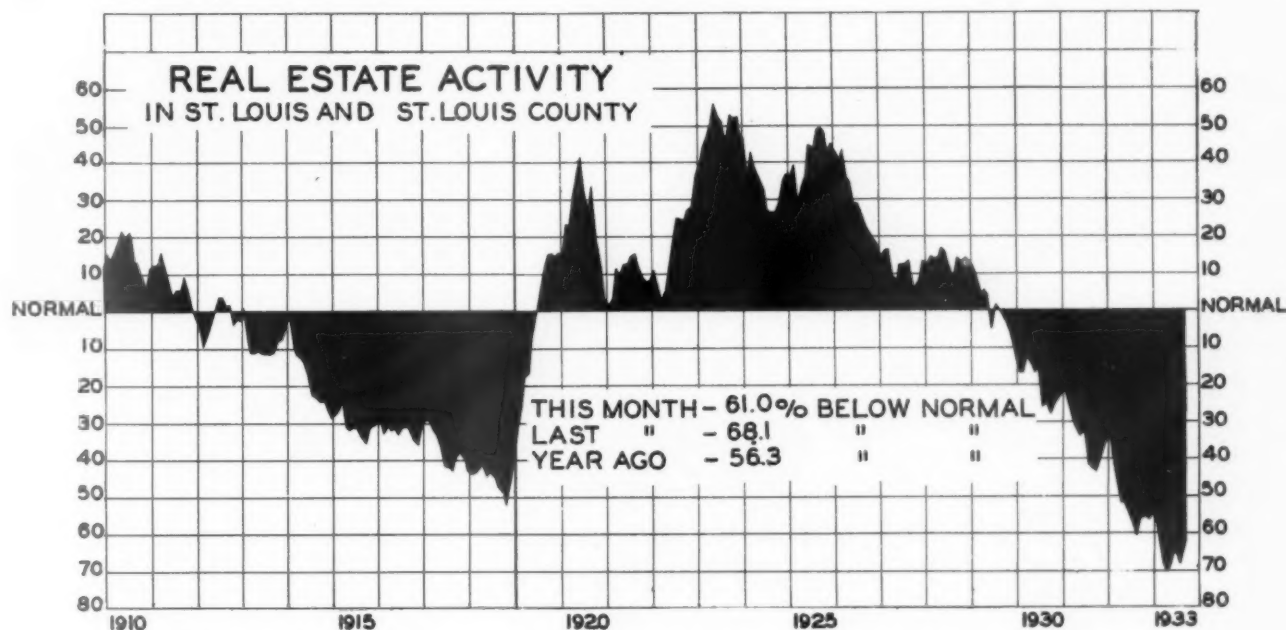




The Real Estate ANALYST

SAINT LOUIS EDITION



REAL ESTATE ACTIVITY increased during the month by a sizable amount. Further increases during the next few months will be dependent largely on the condition of general business. If general business can hurdle the present reaction from the very rapid improvement in the spring and early summer, real estate activity should increase rapidly. We have some doubts, however, on the probability of rapid improvement in general business this winter. We are more inclined to believe that improvement will be slow, at least during the next few months.

Why has this reaction in general business occurred? There can be no question of the fact that actual recovery was proceeding at a rapid rate this spring and early summer. Why did it stop? Is the NRA responsible?

We believe that there were four principal causes for the very rapid recovery this spring. These causes were:

1. A NATURAL RECOVERY FROM THE ALMOST COMPLETE CESSATION OF BUSINESS DURING THE BANK COLLAPSE. A return to low depression level (continued on next page)

THE MONTH'S CHANGES AT A GLANCE

The indicators at the bottom of the page will show at a glance the month's changes in conditions. The position of the arrow-head shows the movement during the month - up indicating improvement and down, decline.

| ACTIVITY | FORECLOSURES | CONSTRUCTION | APART. RENT | OTHER RENT | MARRIAGES | OCCUPANCY |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------|
| -AUG. SEPT. OCT. | AUG. SEPT. OCT. | AUG. SEPT. OCT. | AUG. SEPT. OCT. | AUG. SEPT. OCT. | AUG. SEPT. OCT. | SEPT. OCT. |
| → → → | → → → | → → → | → → → | → → → | → → → | → → |

els after complete paralysis gave the impression of considerable improvement.

2. INCREASED BUYING DUE TO THE THREAT OF INFLATION. Shortly after the bank collapse, President Roosevelt announced a monetary policy designed to return general prices to the 1926 level. This threatened increase in all prices started a wave of buying quite stimulating to business.

3. EFFORT TO BUILD UP LARGE INVENTORIES BEFORE CODE PROVISIONS ON WAGES AND HOURS INCREASED COSTS. The National Industrial Recovery Act was passed in June. Many manufacturers immediately increased their production, hoping to manufacture as much as possible before the codes became effective. This increased employment.

4. THE EFFECT OF WORLD RECOVERY. There can be no doubt about the fact that world recovery from the depression started sometime before recovery started in the United States. This world recovery has gathered considerable momentum and has carried us along on the general tide.

Of these four causes, only the fourth is still operating. As soon as the previous depression levels were reached after the bank collapse, the effects of the first cause stopped. The threat of higher prices partially filled the vacant shelves of the wholesaler, the jobber and the retailer and caused some buying at low levels by the consumer; but the effect soon wore off, as there was not enough new purchasing power created to move the goods from the shelves of the dealers. After August, the second cause was of relatively little importance. It is possible, of course, that more definite steps toward price raising will again make it a factor. During July, the efforts to beat the gun on the code provisions was of considerable importance; but, as industry after industry came under the President's Reemployment Agreement, the stimulating effect of the third cause died away, except as we have referred to it later in its effect on increasing earning power. Now only the fourth cause of these four is of any great importance.

Today, however, the NRA is a new force in the picture and through increased earnings of the lower wage groups, has released a large amount of purchasing power. Part of this increase only has been included in the index figures usually quoted. These indexes do not contain rent figures nor do they take into consideration the vacancy absorption in buildings. Many of the recipients of NRA increases in wages were barely able to eat and clothe themselves before this influence was felt. These people were "doubled up", two or three families living in quarters intended for one. A great part of the increase in purchasing power up to the present time has been used to re-establish individual homes and has been felt in the field of real estate where it has not been generally recorded or recognized. It is too soon to feel its effect in commerce and industry because in many cases this new income to landlords is quickly turned over to the tax collector in payment of taxes long delinquent. As the NRA influence continues, however, the increasing income of real estate will soon find its way into commerce and be reflected in all index figures. During the next few years, the increased earnings due to vacancy absorption and increment to real estate due to inflation will be major factors in recovery. Failure to recognize this influence in the early stages of recovery will result in distorted and perhaps somewhat pessimistic estimates of progress.

We believe that genuine recovery is under way; that it will be consistent though not as rapid as it was last spring. In addition to the playing out of the causes referred to above, efforts up to the present time to stimulate construction have not succeeded and the powerful influence of widespread construction work will be lacking for some time. Until rentals advance materially, values will increase very gradually. Building costs are advancing rapidly. Financing of new building is almost impossible. There is no incentive to build in a time like the present and this will be true until the present vacancy is very materially absorbed.

In the meantime, the building industry is largely unemployed. When it is remembered that the building industry in normal times has an annual volume of between eleven and twelve billion dollars, and that the volume today is less than three billion (see pages 208-209 in this issue), the seriousness of this situation is realized. Of the unemployed today, at least two million are directly in the building field. Unquestionably a large percentage of the balance would be reemployed if the demand for building materials were increased by a rapid expansion of building. In normal times one out of every five cars of freight consists of building materials. A revival of building would prove a strong stimulant to the railroads, increasing the number of men on the operating force and their demand for new equipment.

But as was shown in the October, 1933 issue of the Real Estate Analyst, there will be no revival of private building for some time in the future. We wonder whether enough public work can be done to take its place. So far, the total of all public work estimated for the whole of 1933 will be less than it was in 1932. Municipal, county and state expenditures are almost at a standstill. The Public Works Administration appropriations are just about sufficient to replace these other public projects.

If the building industry cannot be stimulated for several years, it means that the unemployment problem cannot be entirely solved for some time. This will undoubtedly slow up complete recovery.

On the other hand, the fact that no new buildings will be built for some time will increase the rate of absorption of space in the older buildings, raising rentals and values until, finally, the high rentals and values will furnish the necessary incentive for the renewal of building.

SLUM CLEARANCE AND RECOVERY

PUBLIC works appropriations are being sought by communities all over the country. Because "slum clearance" has become what might be termed a classical social topic, it has been easier to arouse local support for this type of project than perhaps equally desirable sanitary or other improvements.

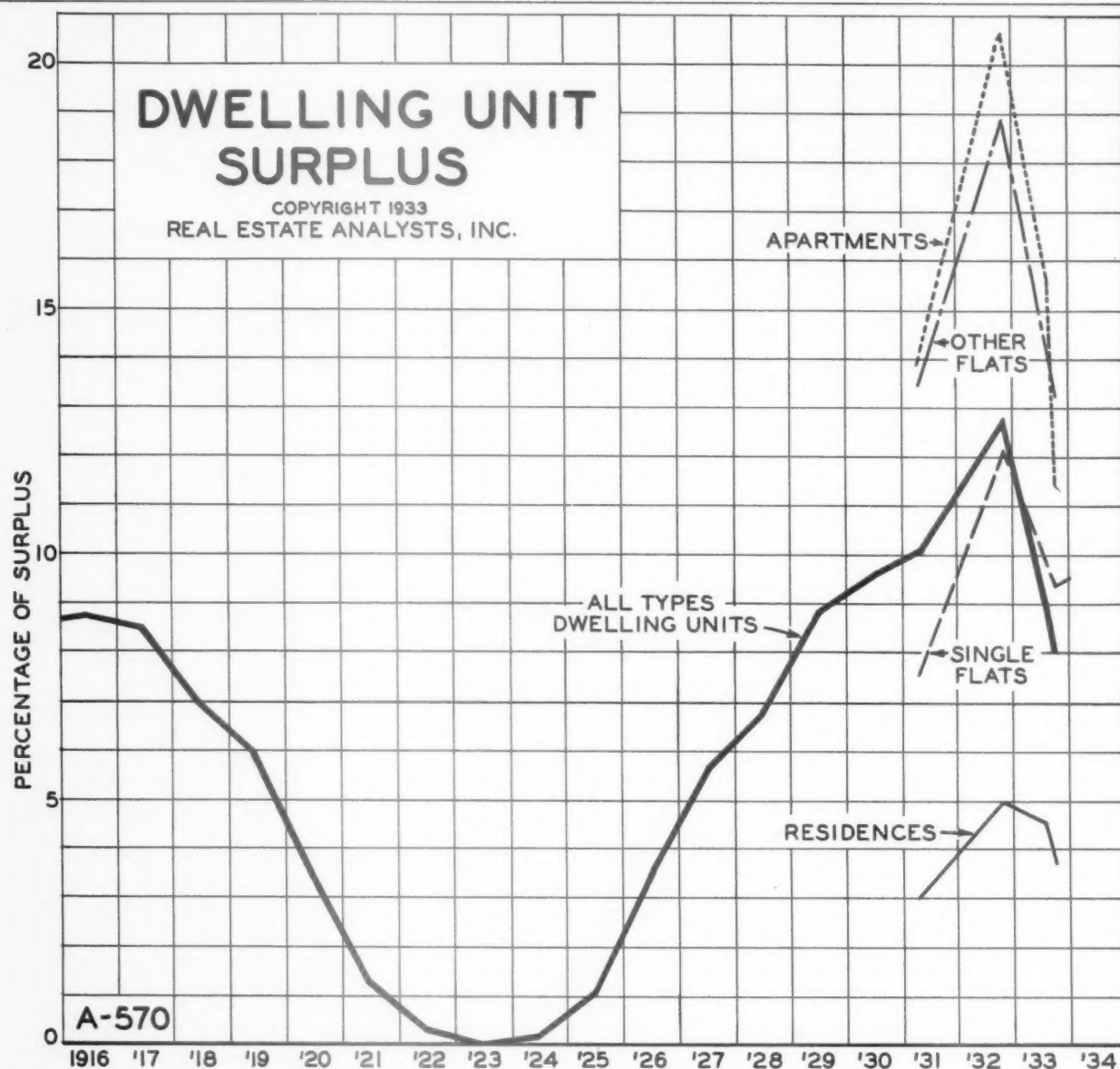
The factors applying to housing would also apply to the creation of additional office building space for the purpose of stimulating construction at this time which, of course, is not advocated, probably because of a more complete knowledge of existing conditions in that field.

It is not the purpose here to go into the merits of slum clearance projects from the social or moral standpoint. Surely the hovels in which human beings are required to live in squalor in the blighted areas of all large cities constitute a social menace, the elimination of which is much to be desired. Neither do we wish to minimize the importance of stimulating construction work. The construction industry is nearly paralyzed throughout the country. Approximately one-tenth of labor is normally employed in this industry. The Government, fully awake to the conditions, has started a huge public works program especially intended to provide employment in this sorely tried industry.

Of course, it is important that any projects considered be of a self supporting, self liquidating nature and that they need not be subsidized in any manner, directly or through tax exemption. Subsidy has been generally condemned as un-American and unfair to private business. Accurate data regarding costs should determine what class of people would be served through the proposed construction. Many such projects have aimed at housing for the very poor and have later found that their estimates of rent required have been far too low. No project that we know of in this country has ever been able to compete with the old, obsolete and generally undesirable buildings occupied by this class. When a project has destroyed a district of this kind, the tenants have moved to adjoining districts, perhaps a little better temporarily but soon to become new slums as bad as those replaced. The project itself will usually be filled with a class considerably above the "slum" type and these families will be drawn from all parts of the city and from all types of privately owned property. A social benefit no doubt, but at a tremendous cost to real estate already burdened to the breaking point, sorely in need of vacancy absorption and not an increased supply.

So far, one such project in Saint Louis, comprising two hundred and fifty units, has received Government approval. This is a comparatively small undertaking and the few units added to the existing over supply will have little effect on real estate. Other projects, so located that large numbers of existing obsolete slum units would be destroyed, might accomplish much good for the community without serious effect on real estate. The great danger lies in projects which, because of their location and size, would add many units to the present surplus and cause a halt in real estate recovery by further delaying the time when rents, prices, activity and construction by private capital will return to satisfactory levels.

Another phase of this problem which must be considered is the acquisition of the site. If by some means condemnation can be resorted to, and it seems entirely impossible to assemble a large site without it, a great deal of time must elapse while the legal procedure is disposed of. If the city is to finance it, bonds must be authorized. Will the actual construction be possible before natural revival of private construction would normally occur?



SAINT LOUIS REAL ESTATE IS GETTING WELL

THE Real Estate Analyst feels justified in presenting again the significance of the absorption of dwelling surplus, because of its vital and immediate importance to everyone interested in real estate.

So far as is known, the Real Estate Analyst is the only organization which is giving the current effect of the NRA program on real estate, through the making of monthly vacancy surveys. Without an apparent ripple on the surface of rents, prices and activity, the vast majority do not realize the under-surface surge which is now taking place. To the informed, this knowledge gives a power to real estate interests to adjust their operations, to convince the hesitating and skeptical prospect to buy now, and to give advice which is based more on fact than on hope.

Dwelling unit surplus is the difference between the total number of dwelling units and the total number of occupied units. It is the measure of the relationship between the supply of and the demand for living quarters. This surplus is the result of the interplay of the many factors affecting real estate, whether of an economic or quantitative nature, which have been presented from month to month in previous issues of the Real Estate Analyst.

The amount of surplus and the changes in it are the direct cause of the cyclic changes in real estate activity (shown in the August, 1933 issue) and are primary influences on rents and prices which, in large measure, control the variations in foreclosures.

When a surplus exists the public generally is misled to believe there is an over supply of dwelling units, mainly because it does not possess all of the facts. A surplus can exist due to an over production of dwelling units beyond the requirements of normal demand for them; this is an actual over supply and such a surplus can only be overcome by either a destruction of part of the supply or by the slow absorption from increased population. On the other hand, a surplus can be created by the recession of demand below normal. Such a surplus is often and erroneously called an over supply when, in fact, it is under consumption; it can be absorbed by again releasing existing demand, without the necessity of destroying supply or the long wait for population increase.

The Real Estate Analyst has given, from month to month, the measured facts concerning the large stored up demand for living quarters which is waiting to be released. Newly married couples constitute a real demand for dwelling units, either as owners of homes or as renters. Delayed marriages have been accumulating since 1924, when marriages first dropped below the normal number in this depression and now amount to an estimated total of 21,000. Likewise, doubled up families have accumulated to an estimated total of 15,000. Besides, there are several thousand families who are now living in very obsolete quarters, really unfit for habitation but which are occupied because of reduced earning power.

This tremendous potential demand for dwelling units is positive and is champing at the bit as it were; waiting for improved purchasing power to release it. The casual observer does not realize the extent of the stored up demand, but does know, among his own acquaintances, of several young couples anxiously waiting the day conditions will permit them to marry; also, of many other families who are living together through force of circumstances and are daily proving the old adage that two families cannot live in harmony under the same roof.

The fact that the present condition is one of under consumption instead of over supply is quite fortunate for all real estate interests and, properly understood, gives a very optimistic outlook at this time. The release of this potential demand, and the rate of release which will eventually lead to a shortage of dwelling units, become of first importance.

There are some people who feel that the recovery so far came about from natural economic causes and would have occurred without the action of the NRA. Be that as it may, it is a fact that since March of this year, business generally has shown a marked recovery. Prices and income have increased substantially and there is a feeling that the depth is past and the upward climb is well under way.

The Real Estate Analyst is measuring the current effects of re-employment and increased income on real estate. The amount and rate of release of demand can be accurately measured by the amount and rate of absorption of dwelling unit surplus. The fact that activity is still quite sluggish, that rents are not increasing and that prices still remain low is confusing to many but when it is realized that these important factors only change favorably after dwelling unit surplus reaches a favorable position, it is important to keep a close check on this barometer or gauge of real estate recovery.

In the October, 1933 issue the amount and rate of absorption of surplus from November, 1932 to September, 1933 inclusive was given. 6178 dwelling units were absorbed during this period or 21.9% of the vacancies existing in November, 1932. The chart on page 204 and table on page 206 give the October absorption and the total since the vacancy survey of 1932, supervised by Real Estate Analysts, Inc. During October the rapid absorption of vacancies continued, but at a much more rapid pace than the average rate for the preceding ten months. This increased rate during October supports the theory that the almost ten-year continuous increase in vacancy continued after November, 1932 until the spring of this year, when it may have reached a percentage as high as 14 or 15%. The actual absorption, therefore, probably occurred at a far more rapid rate than indicated on the chart.

The result of absorption for each type of dwelling is given, showing the occupancy as of October 31, 1933, as follows:

| | |
|--------------|-------|
| Residential | 96.2% |
| Single Flats | 90.4% |
| Other Flats | 86.8% |
| Apartments | 88.5% |

The remarkable pick-up in the occupancy of apartments, which means that 44% of the surplus existing in November, 1932 has been absorbed, is encouraging; however, the occupancy of apartments was expected to pick up first and at a more rapid

rate on account of the greater percentage drop in apartment rents over the rents of other dwelling types and also to the fact that newly married couples usually prefer the small apartment.

Such a rapid drop in dwelling surplus has never been experienced before. Even the release of demand immediately following the World War does not compare with the release experienced during the last eleven months. As this absorption increases, more and more of the better units are removed from competition and tenants find themselves less and less able to use the threat of moving to hammer down rents. It is believed we are approaching the point of influence when rents, prices and activity become sensitive to a slight increase in absorption of surplus. Such a point of influence occurred in 1918 and 1919; when surplus was reduced to between 6 and 7%, rents started to rise followed by rises in prices and activity. Surplus has decreased from a percentage of 12.8% in November, 1932 to 8.0% in October, 1933. While absorption can hardly be expected to continue at the record breaking pace of the past ten months, it is expected to continue favorably in a positive and definite manner.

Discounting to the utmost those features of the NRA which are disliked, the results show it to be a powerful force in releasing potential demand. In the words of President Roosevelt, "We are on our way".

| Type | Percentage of Occupancy | | | Increase from 1932 | Units absorbed |
|--------------------------|-------------------------|------------|-----------|-----------------------|----------------|
| | Nov. 1932 | Sept. 1933 | Oct. 1933 | | |
| Single family residences | 95.0 | 95.4 | 96.2 | 1.2 | 868 |
| Two family residences | 87.9 | 90.6 | 90.4 | 2.5 | 2108 |
| All other residences | 81.1 | 85.9 | 86.8 | 5.7 | 3585 |
| Apartments | 79.4 | 84.1 | 88.5 | 9.1 | 1775 |
| All residential quarters | 87.2 | 91.0 | 91.9 | 4.7 | 8336 |

The REAL ESTATE ANALYST is published monthly by REAL ESTATE ANALYSTS, INC., Saint Louis, a statistical, survey and appraisal organization. The subscription price is \$180 a year, payable semi-annually in advance. REAL ESTATE ANALYSTS, INC., is not engaged in financing, management or brokerage of real estate.

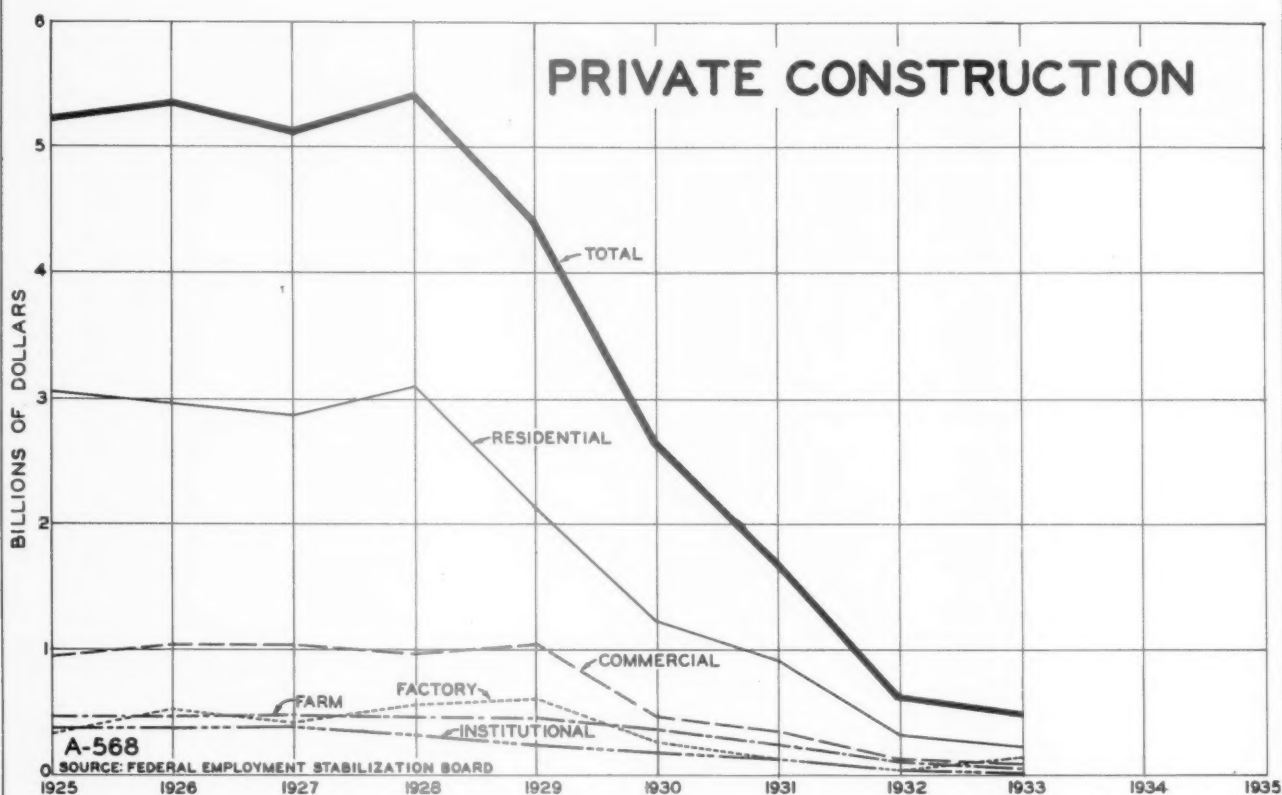


The chart above shows the drop in the gold value of the dollar since the United States officially suspended the gold standard on April 19.

While there are many factors which affect prices, as a general rule prices go up when the dollar decreases in its gold value, and down when the dollar increases in its gold value.



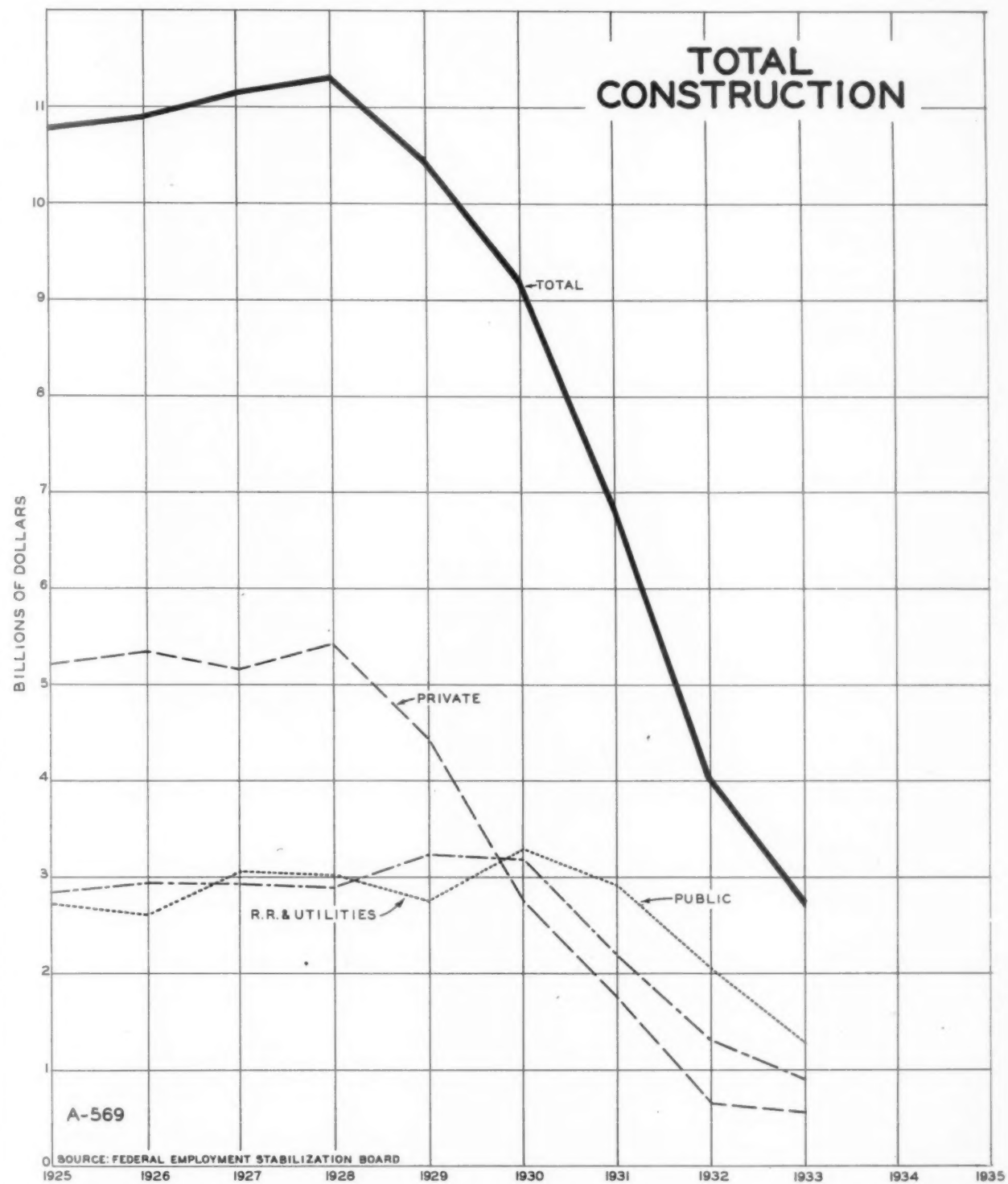
Building material costs have advanced 22.9% since the first week in March, as measured on the Irving Fisher index shown on the chart above

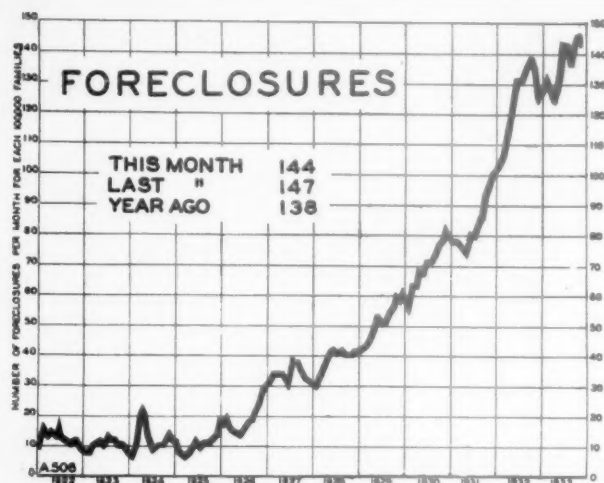


ESTIMATED CONSTRUCTION
IN MILLIONS OF DOLLARS

| | 1925 | 1926 | 1927 | 1928 | 1929 | 1930 | 1931 | 1932 | 1933 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| Residential | 3050 | 2965 | 2856 | 3095 | 2127 | 1222 | 900 | 311 | 232 |
| Commercial | 968 | 1022 | 1035 | 982 | 1031 | 684 | 345 | 136 | 103 |
| Factories | 363 | 523 | 417 | 565 | 606 | 285 | 129 | 48 | 140 |
| Theatres, Clubs, Lodges, Religious & Memorial | 386 | 385 | 393 | 311 | 224 | 188 | 129 | 47 | 25 |
| Farm Construction | 470 | 470 | 473 | 463 | 463 | 367 | 258 | 125 | 75 |
| TOTAL PRIVATE | 5237 | 5365 | 5175 | 5416 | 4451 | 2746 | 1761 | 667 | 575 |
| Railroads | 1223 | 1371 | 1339 | 1280 | 1370 | 1230 | 787 | 478 | 395 |
| Elec. Power Co. | 884 | 823 | 844 | 813 | 906 | 968 | 654 | 322 | 75 |
| Telephone Co. | 502 | 534 | 545 | 613 | 795 | 817 | 604 | 434 | 352 |
| Electric R.R. Co. | 242 | 207 | 205 | 194 | 194 | 189 | 155 | 98 | 80 |
| Sub-Totals | 2851 | 2935 | 2933 | 2900 | 3265 | 3204 | 2200 | 1332 | 902 |
| Pipe Line Co. | | | | | | 515 | 469 | 165 | 35 |
| Gas Co. | | | | Data | | 226 | 167 | 96 | 35 |
| Telegraph Co. | | | | not | | 73 | 37 | 21 | 9 |
| Waterworks Co. | | | | Available | | 44 | 25 | 15 | 8 |
| TOTAL R. R. & PUB. U. | | | | | | 4062 | 2898 | 1629 | 989 |
| Cities | 1283 | 1302 | 1482 | 1422 | 1339 | 1495 | 1302 | 797 | 400 |
| Counties | 778 | 676 | 885 | 829 | 556 | 709 | 329 | 137 | 100 |
| States (Excl. Federal Aid) | 411 | 404 | 438 | 502 | 576 | 706 | 786 | 551 | 300 |
| Federal (Incl. Feder- al Aid, Excluding D. C.) | 245 | 230 | 240 | 270 | 305 | 390 | 510 | 580 | 500 |
| TOTAL PUBLIC | 2717 | 2612 | 3045 | 3023 | 2776 | 3300 | 2927 | 2065 | 1300 |
| Sub-Totals | 10,805 | 10,912 | 11,153 | 11,339 | 10,492 | 9,250 | 6,888 | 4,064 | 2,777 |
| GRAND TOTAL | | | | | | 10,108 | 7,586 | 4,361 | 2,864 |

This table for the years 1925-1932 was compiled by the Federal Employment Stabilization Board. 1933 was estimated from the same sources used for the earlier years.



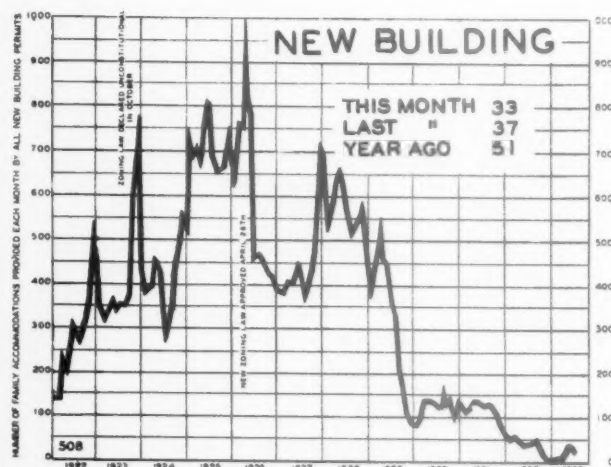
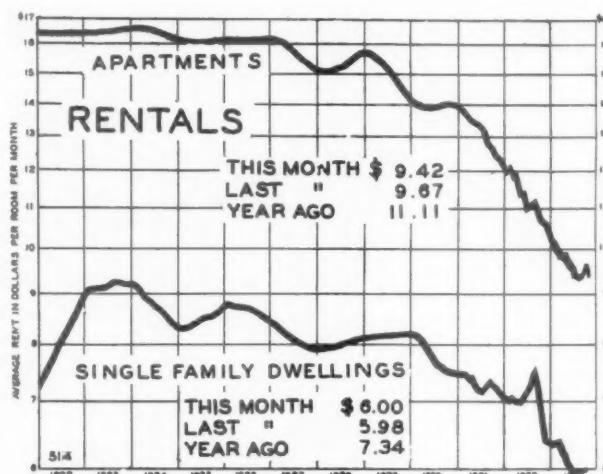


APARTMENT RENTALS

Drop during the month..... 2.6%
 Drop since the first of the year. 8.5%
 Drop in the last twelve months...15.2%
 Drop from the peak in 1922.....43.5%

SINGLE FAMILY RESIDENCE RENTALS

Rise during the month..... 0.3%
 Drop since the first of the year. 6.1%
 Drop in the last twelve months...18.3%
 Drop from the peak in 1924.....34.8%



FOR the sixth consecutive month, the marriage rate in Saint Louis has been higher than a year ago. However, this month it failed to continue the rapid rise which has been so striking in the late summer and early fall. This is undoubtedly due to the slight recession in the rapid rate of improvement in general business in the last month or two.

THE number of family accommodations provided for in all new building permits, adjusted for seasonal variation shows practically no change in comparison with the preceeding months. This is to be expected. With rising building costs, and no oncrease in rentals and very little increase in values so far, the incentive which would stimulate building is decreasing rather than increasing.

